

Members

Tom Reilly, Chairman
Phil Faccenda
Terry White



GOVERNMENT EFFICIENCY COMMISSION SUBCOMMITTEE ON HIGHER EDUCATION

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MEETING MINUTES¹

Meeting Date: May 6, 2004
Meeting Time: 10:00 A.M.
Meeting Place: 101 W. Ohio Street, Suite 550
Meeting City: Indianapolis, Indiana
Meeting Number: 5

Members Present: Tom Reilly, Chairman; Phil Faccenda; Terry White.

Members Absent: None.

I. Call to Order and Attendance:

The meeting of the Higher Education Subcommittee of the Government Efficiency Commission was called to order by Chairman Tom Reilly at 10:00 a.m., May 6, 2004, in the offices of the Indiana Commission for Higher Education, 101 West Ohio, Suite 550, Indianapolis. In attendance were subcommittee members Mr. Phil Faccenda and Mr. Terry White, and advisory directors Mr. Tim McGinley and Dr. Gus Watanabe. Also in attendance were Commissioner for Higher Education Stan Jones, designated staff advisor to the subcommittee, and Dennis Jones and Aims McGuinness from the National Center for Higher Education Management Systems (NCHEMS).

Chairman Reilly reported on his May 4 trip to Sinclair Community College in Dayton, Ohio, noting Sinclair's tremendous facilities, high quality programs, and major partnerships with industry. He also noted the importance of local levy support to Sinclair and the responsibility that engenders toward the community.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Following his remarks on Sinclair Community College, Chairman Reilly confirmed that the next meeting of the subcommittee will be held July 13 at 10:00 a.m. in the offices of the Commission for Higher Education.

Dr. Gus Watanabe reported on the April 26 and 27 meetings held between the Higher Education Subcommittee and the institutional presidents. Other subcommittee members also shared their perceptions of the meetings.

II. Tentative Conclusions, Policy Implications, and Parameters for Recommendations

A. Indiana's Needs

Mr. Dennis Jones and Mr. Aims McGuinness of the National Center for Higher Education Management Systems presented their tentative conclusions on Indiana's system of public higher education to the subcommittee. Mr. Jones began by discussing Indiana's needs, which he summarized as a need to expand and diversify the state economy and the need to recognize that competitiveness will require higher expectations at all levels.

B. Observations About the System of Higher Education

Mr. Jones then moved on to NCHEMS's observations about Indiana public higher education. He stated that Indiana's public colleges and universities are pretty efficient, but that taken together they make up an expensive system. He also noted that community college services are relatively underdeveloped. Mr. McGuinness added that the word "services" was chosen deliberately to emphasize that needs vary by region and that services must vary by region as well. Mr. Jones also observed that Indiana lacked a commitment and policy framework for dealing with adult literacy.

Mr. White asked how many adults in Indiana lack a high school degree. Mr. Jones responded that 145,000 individuals between the ages of 18 and 24 don't have a high school diploma. Mr. McGuinness stated that there is a great deal of variation between counties, as in many parts of the state, industries have typically not required much education of their employees.

Chairman Reilly mentioned that President Jischke of Purdue University believes that NCHEMS's determination that Indiana's system of higher education is relatively expensive relies on a faulty measure. President Jischke suggests that the subcommittee look at the cost per degree granted. Mr. Jones responded that NCHEMS did look at some system output measures, and that the research universities performed best on that particular measure.

Chairman Reilly also mentioned that President Jischke contends that community colleges are not really cheap based on outcomes, but Chairman Reilly also noted that a community college degree is often not the desired outcome of community college students.

Mr. McGinley suggested that these differences of opinion stem from the different missions of community colleges and research universities. Measuring efficiency on different levels may change the way we view the efficiency of Indiana's institutions.

Mr. McGuinness responded that when Indiana is compared to the best systems and states on transferability, Indiana would get a score of perhaps four out of ten. Mr. Jones pointed out that comparisons with peer institutions show that Indiana institutions' costs per student are not so different, but the outputs are lower than for other states.

Mr. McGinley then asked whether Indiana had excess capacity in its system. He mentioned that

the subcommittee had been told that Indiana institutions are underserving the public, yet Vincennes University and Indiana State University have excess capacity. On that basis, he stated that demand for additional higher education is questionable.

Commissioner Jones responded that the community college system has added 22,000 FTE in the past four years, and that he did not know why anyone would raise that issue given the enrollment growth.

Dr. Watanabe stated that the subcommittee had heard from the president of Vincennes University and the regional campuses that they have additional capacity. Mr. Jones responded that all campuses serve a regional market, and that the regions from which two-year institutions draw are smaller than the regions served by four-year institutions.

Dr. Watanabe followed up by asking whether Indiana should redeploy resources by region. Mr. McGuinness responded that it depends upon which students you are trying to serve. Indiana's problem is the adult student market; they won't move to go to college, thus the community college must be strengthened to serve them where they are.

Commissioner Jones added that there is a limited number of 18-year-old students in Indiana who can attend a residential institution, and that the excess capacity problem at Vincennes University and Indiana State University is due to a lack of 18-year-old students.

Mr. White suggested that there are too many Ivy Tech facilities located adjacent to regional campuses, and wondered how Vincennes University fits into the system given the discussion on capacity and available residential students.

Mr. Watanabe questioned whether output measures other than degrees awarded should be considered, and he suggested that students might benefit from college attendance even if it did not result in a degree. Mr. Jones responded that Census Bureau data on earnings suggests that there is little economic benefit from attending college without completing a degree.

Mr. Jones continued with his observations about higher education in Indiana by concluding that there is a heavy emphasis on baccalaureate education with limited attention to the needs of part-time adult students and that Indiana underinvests in research capacity and workforce development. Furthermore, he observed, Indiana lacks strong technical training linked to future economic needs and has a regional campus system that aligns the campuses more with parent institutions than with local community needs.

Chairman Reilly questioned whether operating efficiencies of systems such as Indiana University and Purdue University outweigh a lack of community responsiveness. Mr. Jones responded that the question was difficult to assess, but that the regional campuses did not spend as much as their peers and that some of the difference could perhaps be explained by central office efficiencies.

Mr. McGuinness stated that NCHEMS was not suggesting that the regional campuses be cut off from their flagship campuses. There is a great deal of community pride and attachment associated with having an Indiana University or a Purdue University campus in one's area.

Commissioner Jones asked Mr. Jones and Mr. McGuinness if they could name any regional campuses in the country that did a good job of addressing community needs. Mr. Jones pointed to Northern Kentucky University—in particular, its continuing education center near the Cincinnati airport.

Mr. McGinley said that NCHEMS's conclusions about the responsiveness of the regional

campuses didn't line up for him. He asked Mr. Jones and Mr. McGuinness if they had any evidence to support their contention that the regionals don't support their communities well.

Mr. McGuinness responded that NCHEMS still had site visits to conduct, but he suggested that regional campus responsiveness is hindered by the requirement that new program requests go through a faculty review process on the main campus where the incentives and expectations are quite different.

Mr. McGinley asked if that meant that the main campus standards were too high. Dr. Watanabe responded that institutional branding is very important, but he agreed it is a difficult balancing act to report up the chain of command in the institution and satisfy the local community at the same time.

Mr. McGinley responded that he understood the tension, but that he still wanted to see evidence that the local community was not being served well.

Chairman Reilly added that he, too, believed that the quality and responsiveness of regional campuses are important considerations, particularly as President Jischke has suggested that students who are not admitted to the West Lafayette campus can receive a Purdue degree from a regional campus.

Responding to that point, Mr. Jones said that a distinction should be made between quality and content. NCHEMS is not suggesting that the quality of the regionals is not what it should be, but rather that the content of the courses is not always tied closely to regional needs. He also suggested that traditional students not admitted to West Lafayette would be unlikely to go to a regional campus to get a Purdue degree. Rather, they would pursue a traditional residential experience at a campus that offered such experiences.

C. Policy Implications

Turning from observations to policy implications, Mr. Jones stated that the research universities must increase emphasis on graduate education and research, enroll more graduate students, admit fewer and better-prepared undergraduates, and maintain current strengths and enhance capacity around state priorities.

Chairman Reilly asked Mr. Jones if the subcommittee could come up with some objective measures of research performance and some goals for those measures. Mr. Jones responded that he wasn't sure how to do that and that he is more comfortable with capacity measures because capacity is necessary but not sufficient to attract additional research funding.

Chairman Reilly followed up by mentioning that he had heard that research activities were consolidating at certain universities and that the consolidation of talent and money was likely to continue. Mr. McGuinness agreed that research consolidation is a concern, and mentioned that it is a worldwide phenomenon.

Dr. Watanabe remarked that additional research dollars don't guarantee patents, which start businesses. He continued that Indiana is just beginning to think entrepreneurially and that it is very hard to predict where current efforts will lead.

Mr. McGinley added that entrepreneurial activity needed to be on the first slide of the NCHEMS presentation because focusing on current statewide priorities is too narrow. Research follows dollars, and most dollars are federal dollars. Research universities need to recognize where the dollars are and follow them.

Chairman Reilly agreed that it is important to align research activities with the state's needs in a broad sense, but that the alignment shouldn't be too rigid.

Mr. McGuinness agreed that the state can't operate on a single dimension. He added that basic funding should be available for the institutions, but that incentive funding in addition to the basic funding could persuade institutions to focus on state priorities.

Next, Mr. Jones turned to policy implications for community colleges. He contended that community college services must be available in all regions, and added that those services include lower-division, transfer-oriented general education; job entry programs; and community college pricing. In addition, he suggested that capacity to respond to statewide priorities and regional needs would require regional leadership, financing mechanisms that provide incentives for collaboration and responsiveness, and recognition of community and technical colleges as "real colleges." This sector should not be viewed as an extension of high school.

D. Assumptions Guiding Recommendations

Mr. Jones next turned his attention to the assumptions guiding NCHEMS's recommendations. The assumptions are as follows:

1. Solutions must be sought within current levels of state funding;
2. There is a strong identification of communities with campuses and their parent institutions;
3. There is great variation in needs and delivery capacity among regions;
4. Region-by-region solutions must be developed within a statewide framework;
5. Any reallocations must leave institutions in a revenue-neutral or positive position;
6. Quality should be enhanced at all levels;
7. Private institutions will continue to be an important state resource.

Mr. McGuinness stressed the need for consistency across the state with regard to transfer and articulation. Transfer and articulation agreements need to be statewide, not regional.

Chairman Reilly noted that articulation has been very poor in Indiana and asked what good progress would mean. He also asked what percent of programs articulate now.

Dr. Ken Sauer, Commission staff member, responded that the Commission for Higher Education has not looked at program articulations as a percentage of all programs offered, but that Indiana now has over 1,000 program articulations. He added that putting VU degrees at Community College of Indiana (CCI) sites has added many program articulations.

Commissioner Jones noted that most students transfer particular courses rather than complete programs. Commissioner Jones also noted that the current presidents of Indiana's four-year institutions are more supportive of transfer than some previous presidents.

Dr. Watanabe asked if any assessment of consumer feelings toward transfer had been conducted (i.e., do transfer students report having a good experience)? Commissioner Jones responded that in the past, most transfer students had a bad transfer experience, but that many of the four-year campuses now have transfer programs that help students who are not initially admitted to a four-year campus. Commissioner Jones offered BSU Connect and IUPUI Passport as two successful programs for transfer students from two-year institutions.

Mr. White wondered what, if any, consideration had been taken of independent colleges and their transfer arrangements. Mr. McGuinness replied that Indiana Wesleyan University is a leader in taking transfer students as it will work with students to measure their competencies

rather than rely exclusively on previously taken coursework. Commissioner Jones added that public institutions are just now realizing that it is in their self-interest to work harder on transfer issues.

Chairman Reilly suggested that Indiana may want to provide additional incentives to transfer, and said that Indiana Wesleyan should be referred to specifically in the NCHEMS report. He also wondered if proprietary institutions are skimming off some students from the public institutions through transfer arrangements, and whether public institutions could learn from them and do something differently to better accommodate transfer students.

Mr. Jones commented on the changing role of public and private institutions over the course of his career. In the past, he suggested, public institutions used to be more entrepreneurial than privates. Lately, however, as a result of market pressures, private institutions have become more entrepreneurial and public institutions have begun to feel more comfortable waiting for students to come to them.

Mr. White responded that in the name of efficiency, perhaps the public institutions shouldn't try to duplicate what the private institutions are now doing well.

Mr. McGuinness said that the public institutions need to think about better assessment of prior learning and accelerated calendars. In addition, the state should consider how it affects university behavior. Dr. Watanabe suggested that a consumer-oriented attitude should be developed in the public institutions.

Commissioner Jones responded that proprietary institutions and programs such as those offered to adults by Indiana Wesleyan tend to work better for older, wealthier students. They are not focused on the needs of young students and unemployed adults. Mr. McGuinness added that in a previous study he conducted in Wayne County, Indiana Wesleyan was most often the first or second choice of employers.

Mr. White questioned whether there are any public/private cooperative programs in Indiana at present, and suggested that there should be better cooperation between the two sectors.

Mr. McGuinness suggested that campuses could act as delivery sites of other institutions' programs. Mr. Jones noted that this is perhaps best done in Oklahoma. It is used to provide programs in parts of the state where the demand does not justify the cost of establishing full capacity to operate a program. Chairman Reilly asked to what extent Indiana could do something similar to reach its goals.

Mr. Jones returned to the assumption of revenue neutrality and noted that no new state money did not mean no new money.

Mr. McGinley asked him to explain that contention—was it a reference to tuition and tuition policy?

E. Emerging Points for Recommendations

Mr. Jones responded that he was thinking about multi-year compacts with major research universities that would increase emphasis on graduate education and research, move to smaller and better-prepared undergraduate student bodies, and increase the proportion of future revenues from students and research sponsors.

Dr. Watanabe inquired whether the major research universities had the pricing power to accomplish that move.

Chairman Reilly probed the compact idea, asking about its components. Mr. McGuinness suggested it would include a trade-off on tuition—including no more letters from the governor requesting that tuition increases be limited.

Mr. Faccenda mentioned that President Jischke told the subcommittee that Purdue needed greater bonding flexibility, and he suggested that this was a good idea as the market would determine which institutions have the capacity to sell bonds. Chairman Reilly added that Purdue indicated a willingness to finance its own capital plan, while IU believed it would still need state assistance with building projects.

Commissioner Jones asked Mr. Jones what rationale he would use to convince the Indiana General Assembly that more graduate students would be a good thing. Mr. Jones replied that the research the state needs to perform cannot be done without them. Commissioner Jones followed up by asking about nonresidents. Mr. Jones replied that the research cannot be done without nonresidents either.

Chairman Reilly suggested that the legislature should be told forthrightly that the state needs to build the major research universities into national universities. Mr. McGuinness added that Indiana University and Purdue University already have international reputations. Dr. Watanabe added that researchers can't write grants without graduate students and postdoctoral students, hence a university can't attract top researchers without graduate and postdoctoral students.

Chairman Reilly noted that he disagreed with President Herbert that you can build a top-ranked research university without better-quality undergraduates. Dr. Watanabe indicated that undergraduate colleges serve different constituencies, and he did not believe they were completely linked to the quality of the graduate programs. He suggested that large undergraduate populations will always approximate a bell-shaped curve.

Mr. Jones contended that you can't have a top outcome without expectations of quality. Mr. McGuinness added that expectations of quality make better transfer and articulation a real priority. Chairman Reilly likened this to a "cascading" effect, where all students end up studying at the right place for them.

Mr. McGinley mentioned a need to draw more Hoosiers and American students into the sciences. Currently, Ph.D. students are overwhelmingly foreign. Dr. Watanabe added that in the medical school, most Hoosier students plan to be M.D.s, while many foreign students enter the Ph.D. programs.

Mr. Jones brought up the second emerging point for recommendations, which was that the state focus responsibility at the regional level for developing community colleges through a collaboration between Ivy Tech, the regional campuses, and Vincennes University.

III. Discussion

The subcommittee adjourned for lunch and reconvened later to discuss the ramifications of the NCHEMS presentation.

Dr. Watanabe asked how the research universities could be strengthened. For example, should new research incentives be instituted, or should base reallocations be made?

Mr. Jones suggested that Indiana look at Ohio's research incentive program and Kentucky's "Bucks for Brains" program. Mr. McGuinness added that internal processes would need to be changed as well to increase collaboration between Purdue West Lafayette, IUPUI, and IU

Bloomington.

Mr. Jones discussed the importance of nonresident enrollment to the economies of IU and Purdue.

Mr. White questioned how many graduate students attend Indiana University compared to undergraduates.

Commenting on the economics of IU and PU, Mr. Jones suggested that most institutions have excess capacity in the upper-division undergraduate level; there is often no marginal cost of adding students to such courses because many are only half full.

Commissioner Jones asked how persistence could be improved at the regional campuses. Mr. McGuinness replied that much of the low persistence is attributable to inadequate preparation in elementary and secondary schools. He also noted that Indiana is, in effect, operating community colleges at the regional campuses.

Chairman Reilly noted that the development of a good community college system would improve the quality of the student bodies at regional institutions. He also raised two questions: First, how does Ivy Tech finance the physical development of its colleges, and second, where can the state find money to build a community college system in a zero-sum game?

Mr. Jones suggested that it may be easier to get local communities involved in the funding of facilities rather than operations, which would also give them a sense of ownership in the institution. He warned, however, that it is not good to have some districts rely on local funding while others rely only on the state. If local funding can't be instituted statewide, it should not be undertaken.

Mr. McGuinness stated that making and keeping community colleges affordable would require reallocation to the two-year sector.

Chairman Reilly stated that he couldn't get a good feel about the quality of Ivy Tech programs, and he wondered how to integrate technical education and general education.

Mr. Jones suggested that the structure of a statewide two-year college system would need to be somewhat different so that not every request had to pass through a central office. He also noted that community colleges can't use adjuncts for everything and that it is important to have full-time faculty involved in workforce training as well as general education. Mr. McGuinness suggested exploring a way to purchase general education courses from the regional campuses.

Mr. White raised the idea of putting Ivy Tech campuses on the four-year campuses to reduce overhead. Mr. McGuinness responded that the cultural differences are too great, and Commissioner Jones remarked that the institutions located nearest each other have typically had the worst relationships.

Mr. Jones stated that you can generally explain institutional behavior by understanding how the money flows. IUE and Ivy Tech Richmond are both fundamentally open-admission institutions, but IUE charges \$4,500 per year while Ivy Tech charges \$2,100. How can Ivy Tech purchase services at a rate at which IUE will do business? How can the local market be made to work?

Chairman Reilly asked Mr. Jones and Mr. McGuinness to look into the Ivy Tech-VU partnership. He added that the subcommittee got the impression from President Gregg that most of VU's involvement in the community college initiative was to certify degree programs, and he asked if there is a better way to handle the general education piece of the community college.

Furthermore, he asked NCHEMS to develop a whole community college structure that was of high quality yet could still be funded.

Mr. McGuinness responded that the goals of the subcommittee should be to raise the bar for research universities, put a solid community college system together, and set out a new framework for determining state (and local) and student share of the cost of higher education.

Chairman Reilly commented that he continued to believe that the state produced more baccalaureate degrees than it needed.

Mr. White added that the oversupply was even greater when the degree production of the private schools is included. He also wondered why Terre Haute houses a 4,300-student Ivy Tech campus when the president of Indiana State University claims he has room for 4,000 additional students at his campus.

Mr. McGuinness responded that regional campuses and two-year campuses are different. Regional campuses are trying to move up the food chain, and they won't take the open admission kids that the two-year campuses enroll.

Chairman Reilly stated that the Commission for Higher Education wants a quality community college system, but is unwilling to advocate the reallocation necessary to accomplish the change. Commissioner Jones responded by pointing to the last higher education budget, which focused on both growth and research. That strategy is not as bold as reallocation, but it is targeted at different sectors.

Chairman Reilly raised the issue of greater privatization, and Dr. Watanabe suggested exploring the feasibility of tuition and fee increases at the research universities over time. Chairman Reilly stated that the state should create a special class for IUB, PUWL, and the IU Medical School.

Mr. McGinley said that some institutions already have a market test with nonresidents, and added that tuition flexibility for all institutions makes good sense. Institutions should consider charging more for certain programs, especially the most popular and expensive programs. At the same time, access has to be addressed, and the state has to continue funding student aid. Mr. McGinley concluded by saying that if privatization means taking away all state money, the institutions would be in enormous trouble.

Other members agreed that protecting student aid is critical to the process of differentiating institutions.

Chairman Reilly suggested that the subcommittee has not yet dealt enough with mission creep. Mr. Jones responded that incentives for mission creep should be removed, and he pointed to Ohio as a state that has lined up its incentives with institutional mission.

IV. Next Steps

Chairman Reilly asked NCHEMS to circulate a draft of their recommendations two to three weeks before the final meeting in July and said that an interim meeting would be possible if subcommittee members believe it is necessary.

V. Adjournment.

The meeting adjourned at approximately 1:50 p.m.

